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MARKETING SPREADS FOR LEATHER PRODUCTS 1/

The retail value of domestically manufactured leather products exceeds $5 billion a year, (table 11). 2/ Per capita expenditures for leather goods include about $22 a year for footwear and about $7 a year for other leather products. In addition, exports of hides and skins have been increasing, reaching $82 million in 1963-64.

Slaughter-Retail Bill for Leather Products

Meatpackers provide the tanner with the basic raw materials for making leather. An estimated 3,100 meatpackers received $368 million for hides, skins, and pelts in 1962 (table 11). This was approximately 7 percent of the retail value of leather products manufactured. After tanning, the value of the finished leather was $725 million or about 14 percent of the retail value of leather products; manufacturing of leather products, such as shoes, added an additional $2.1 billion (or 40 percent) to the marketing charges. Retailing accounted for an additional $2.4 billion, or approximately 45 percent of the marketing charges.

Leather Shoes

About 80 percent of the total leather supply is used in shoes. The remaining 20 percent is used in other leather

Table 11.--Estimated value of hides, skins and leather products at various marketing levels, 1962

Marketing agency	Value 1/	Percentage of retail value
	Million dollars	Percent
Meat packers 2/	368	7
Tanners 3/	725	14
Manufacturers of leather goods 4/	2,900	55
Retailers 5/	5,300	100

1/ No allowance has been made for value of imported and exported hides and leather and for value of articles manufactured partly from nonleather raw materials.
2/ Bureau of the Census, M62(AS)-2.
3/ Bureau of the Census, M62(AS)-2; includes belting.
4/ Bureau of the Census. Shoes, $2.2 billion; other leather products, $700 million.
5/ Estimated by applying a cumulative markup of 83 percent to the value of output of all leather manufacturers.

1/ Prepared by John W. Thompson, agricultural economist, Marketing Economics Division, Economic Research Service, USDA.

2/ This total includes the value of products made in part from nonleather raw materials and from imported leather. It is considerably larger than the estimate of consumer expenditures in 1963 for leather products published in the August 1964 issue of the Marketing and Transportation Situation. This estimate of $3.1 billion includes expenditures only for products made from leather of domestic origin and retailed in this country; also, it has been adjusted for products made from nonleather raw materials and from imported leather..

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U.S. Department of Agriculture, Economic Research Service, Marketing Economics Division.

products. However, not all of the domestic production of shoes and slippers is made of leather. An extimated one-fourth of the shoes produced in 1962 had leather soles and about three-fourths had leather uppers.

U.S. factories turned out 589 million pairs of leather-type footwear in 1962. Their value at the factory was extimated at $2.2 billion. Imports totaled 55 million pairs of leather shoes and 116 million pairs of other types of footwear in 1962. Data given in table 12 illustrates steps, costs, and material balances necessary to transform green hides into a pair of men's shoes. The prices and costs in the example are estimated from data collected in marketing surveys, from trade publications, and from reports of the Bureau of the Census. The total time lapse--from green hide to final sale--was at least 6 months.

Table 12.--An example of marketing costs and returns for hides used in making a pair of men's shoes

Marketing Agency	Distribution of retail price	
	Dollars	Percent
Packinghouse:		
Value of green hides (5.5 lb. at 9 cents)	0.49	4.9
Curing cost	.05	.5
Fleshing cost	.14	1.4
Value of fleshed hide (3.6 lb. weight)	.68	6.8
Tannery:		
Cost of hide (3.6 lb.)	.68	6.8
Brokerage and freight	.07	.7
Tanning materials	.25	2.5
Labor	.25	2.5
Overhead, selling, shipping and profit	.25	2.5
Value of leather (3 square ft.)	1.50	15.0
Shoe manufacturer:		
Cost of upper leather (3 square ft.)	1.50	15.0
Cost of soles, innersoles, linings	1.00	10.1
Labor, overhead, shipping, and profit	3.00	30.2
Manufacturer's price of shoes 1/	5.50	55.3
Retail store:		
Cost of shoes	5.50	55.3
Salesmen	2.00	20.1
Overhead, selling, and profit	2.45	24.6
Retail price	9.95	100.0

1/ About 0.5 square foot of leather is wasted in manufacturing a pair of shoes.

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